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January 26, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02110

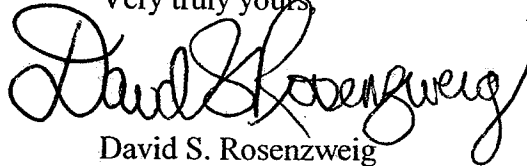
Re: Boston Edison Company, D.T.E. 03-112

Dear Secretary Cottrell:

Enclosed please find the response of Boston Edison Company d/b/a NSTAR Electric ("Boston Edison" or the "Company") to record request AG-2 in the above-referenced proceeding.

Thank you for your attention to this matter. Please contact me at your convenience if you have any questions relating to this filing.

Very truly yours,



David S. Rosenzweig

Enclosures

cc: Kevin Penders, Hearing Officer
Joseph Tiernan, Electric Power Division
James Byrnes, Rates Division
Colleen McConnell, Assistant Attorney General
Bryant K. Robinson
Neven Rabadjija, Esq.
Stephen J. Carroll
Tam Ly

Record Request AG-2

Please ask Insignia to provide information regarding the changes in value of undeveloped land zoned for residential use in Eastern Massachusetts during the period January 2001 to January 2003.

Response

Based on a review of several resources, including discussions with local residential real estate brokers, the MLS database, the Banker & Tradesman (The Warren Group) database, information from the City of Newton Assessor's department, and others sources, there have been a limited number of land sales in Eastern Massachusetts that would be considered comparable to the 42 acres being sold. Moreover, in the city of Newton specifically, there are a scarce number of undeveloped residentially zoned parcels available for sale. The trend within the city from residential developers has been to acquire specific parcels that are under-developed and/or contain an older house, or have a zoning characteristic that could be maximized. These types of sales are difficult to track and compare the change in value during 2001 and 2002.

The trend that is easily understood and is directly influenced by the increase in land values is the increase in the sale price of single-family homes throughout Massachusetts and specifically in Newton. The average sale price in Newton has changed 5-8% per year over the time period of 2001-2003. There is a demand for residential homes in Newton, especially new construction. Overall, based on all resources available, the residential real estate market experienced an increase in value from 2001 through 2003, especially in areas such as Newton because of the limited availability of undeveloped land and the demand from consumers for new construction.

However, it must be stressed that, regardless of trends over the past few years for the value of residential homes or undeveloped land or any appraisals that may have been conducted, it is inappropriate to speculate about the market value of the Property. The best means of establishing the market value of the Property was the means used by the Company, i.e., subjecting it to an open and competitive sales process. Through this process, the Company was able to determine its maximum value in the market, which will, in turn, maximize benefits to the Company's customers.

The Company's method of determining the market value for the Property through an open and competitive process is consistent with the Restructuring Act and Department precedent. Moreover, it is consistent with the definition of "market value" as propounded by the Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation (1990).¹ Accordingly, a comparison of the market value achieved by the Company through its auction process with the values of other, dissimilar properties over the past few years is inapt.

¹

This reference guide defines "market value" as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) the buyer and seller are typically motivated; (2) both parties are well informed or well advised, and acting in what they consider their best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation (1990), Page B-7.